

CITY OF BROCKTON

CITY COUNCIL

FISCAL YEAR 2016

TAX RATE CLASSIFICATION HEARING

December 7, 2015

Presented by: The Board of Assessors

**City of Brockton
Fiscal Year 2016
Classification Hearing**

What is the purpose of this hearing?

The purpose of this hearing is to establish the proportion of the tax levy raised by the residential and commercial class of property. This hearing is required under Massachusetts General Laws, Chapter 40, Section 56

What is the Assessor's role in the budget process?

The assessors' play only a limited role in determining the amount of taxes raised each year, by establishing the amount needed to be reserved for abatements and exemptions in the overlay. In the spring the Mayor presents the City Budget to the City Council, which then conducts budget hearings and approves or reduces recommended appropriations. These decisions determined if the property tax collected for fiscal year 2016 would be higher or lower than the property tax collected for fiscal year 2015.

The Assessors also determine the amount of new growth in property taxation each year. This is done by inspecting all new construction projects and inspecting existing properties with renovations to determine the increase in property value due to the construction/renovations. This new growth values proposed are approved by the Massachusetts Commissioner of Revenue.

The Assessors determine the value, based on use, of all taxable property in the City. These assessed values represent the value of the property as of January 1, 2015 for fiscal year 2016. These assessed values determine the proportion of the tax levy that each property owner will pay, if all properties were taxed at a single, uniform rate. The City Council will ultimately determine if instead, whether a proportion of the total levy will be shifted (or not) from residential property owners to commercial, industrial and personal property owners.

What does it mean to adopt the residential factor?

This is the purpose of the classification hearing. The City Council will decide how much of the tax levy the owners of residential properties will pay and how much of the tax levy the owners of commercial, industrial and personal property will pay. This decision is what creates two tax rates (or split tax rates) in the City of Brockton. Note: If there was NO shift there would be a single tax rate and the following would apply:

Class	FY2016 value	% Value	% Tax
Residential	\$ 4,840,391,720	79.29 %	79.29 %
Commercial	\$ 888,502,695	14.56 %	14.56 %
Industrial	\$ 152,811,160	2.50 %	2.50 %
Personal	\$ 222,598,360	3.65 %	3.65 %
Total	\$6,104,303,935	100%	100%

This means the residential property make up 79.29% of the overall city value and therefore would pay 79.29% of the overall tax levy. The commercial property make up 14.56% of the overall value in the city and therefore would pay 14.56% of the overall tax levy and so on for industrial and personal property classes.

The Classification Hearing is when the City Council must decide on whether or not to shift more of the tax levy onto the commercial/industrial/personal property owners and less onto the residential property owners. By law, the maximum allowable shift for Brockton is 175% (Note: City Council shifted 156% last two fiscal years). In the event City Council decides to shift 156% again this year, the process would be to multiply the (% value) of the commercial, industrial and personal property classes by 156% (1.56) to determine the increased percentage of the tax levy that those various classes will pay. By increasing those percentages, the residential percentage is lowered by 11.59%.

Class	FY2016 value	% Value	Shift	% Tax
Residential	\$ 4,840,391,720	79.29 %	-	67.70 %
Commercial	\$ 888,502,695	14.56 %	156 %	22.71 %
Industrial	\$ 152,811,160	2.50 %	156 %	3.90 %
Personal	\$ 222,598,360	3.65 %	156 %	5.69 %
Total	\$6,104,303,935	100%		100%

Put another way, once the factor of 156% (1.56) is applied to commercial, industrial and personal property, those classes then become responsible for 32.30% of the tax levy. That number is then subtracted from 100% to arrive at the residential proportion of 67.70% of the tax levy.

So, if the City Council decides to shift 156%, the owners of commercial, industrial and personal property, which represents 20.71% of the taxable value become responsible for 32.30% of the tax levy. The result of this vote is that the residential property owners, whose property represents 79.29% of the table value, become responsible for 67.70% of the property tax levy.

The actual vote taken is on what residential factors to adopt. These residential factors result in the intended shift from the residential on to the commercial, industrial and personal property tax payers. This is the ultimate purpose of the classification hearing.

What are the components of Proposition 2 ½?

Proposition 2 ½ has two basic components. First, you cannot increase the prior year levy limit by more than 2.5% (plus new growth) without voter approval and second, your levy limit cannot exceed 2.5% of your total taxable value. Another way of stating the second component is a community's tax rate cannot exceed \$25.00 per \$1,000 if the community has a single tax rate.

CITY of BROCKTON TOP TAXPAYERS			
Fiscal 2016 TAX Liability* Record Owner	Real Estate	Personal Property	Grand Total
STEWARD GOOD SAMARITAN	2,422,419.32	359,902.84	2,782,322.16
MASSACHUSETTS ELECTRIC CO	338,767.81	1,599,817.64	1,938,585.45
COLUMBIA GAS OF MA	305,859.83	1,565,096.09	1,870,955.92
NEW WESTGATE MALL LLC	1,127,272.30		1,127,272.30
VERIZON NEW ENGLAND INC	408,694.44	594,621.10	1,003,315.54
BROCKTON HOSPITAL INC	636,444.61		636,444.61
MUCCI RAYMOND A JR	592,496.15		592,496.15
ACADIA CRESCENT PLAZA LLC	538,347.78		538,347.78
NEW ENGLAND POWER	5,868.69	520,368.68	526,237.37
BEACON COMMUNITIES LLC	504,422.08	15,780.63	520,202.71
CONTINENTAL CABLEVISION	21,868.52	466,346.68	488,215.20
HARBORONE CREDIT UNION	467,533.16	-	467,533.16
HAJJAR CHARLES C TR	439,979.21		439,979.21
WAL-MART REAL ESTATE BUSINESS TRUST	383,660.51	10,947.98	394,608.49
TRT BROCKTON	391,724.63		391,724.63
TRINITY BROCKTON PHASE ONE LP	387,092.85		387,092.85

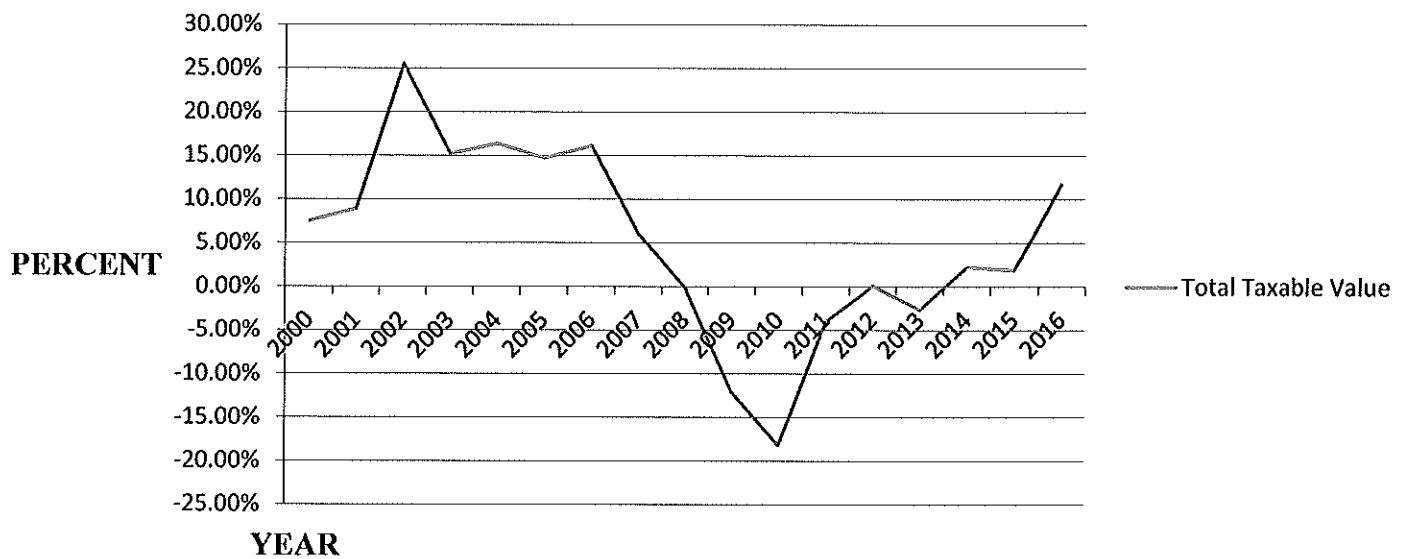
**Tax Liability is based upon Fiscal 2015
tax rates and the Fiscal 2016 Values**

FY2015 Average Single Family Tax Bills							
Contiguous Towns							
			FY14		FY15	AVERAGE	FY15
			AVERAGE	INCREASE	AVERAGE	TAX BILL	TAX RATE
			TAX BILL		TAX BILL	RANK	
BROCKTON			\$ 3,264	\$ 64	\$ 3,328	265	\$ 18.15
ABINGTON			\$ 4,832	\$ 190	\$ 5,022	122	\$ 17.00
AVON			\$ 4,218	\$ 130	\$ 4,348	176	\$ 16.37
EAST BRIDGEWATER			\$ 5,119	\$ 196	\$ 5,315	108	\$ 17.76
EASTON			\$ 6,040	\$ 216	\$ 6,256	71	\$ 16.78
HOLBROOK			\$ 4,379	\$ 225	\$ 4,604	152	\$ 19.08
STOUGHTON			\$ 4,321	\$ 184	\$ 4,505	162	\$ 15.13
WEST BRIDGEWATER			\$ 4,618	\$ 471	\$ 5,089	120	\$ 17.81
WHITMAN			\$ 4,039	\$ 63	\$ 4,102	194	\$ 15.61
AND OTHERS							
RANDOLPH			\$ 4,243	\$ 164	\$ 4,407	172	\$ 18.10
QUINCY			\$ 4,757	\$ 224	\$ 4,981	126	\$ 14.60
TAUNTON			\$ 3,327	\$ 114	\$ 3,441	252	\$ 15.01
FALL RIVER			\$ 2,601	\$ 104	\$ 2,705	314	\$ 13.08
NEW BEDFORD			\$ 2,779	\$ 139	\$ 2,918	308	\$ 15.73
AVERAGE OF ABOVE TOWNS INCLUDING BROCKTON.					\$ 4,359		
AVERAGE OF ABOVE TOWNS EXCLUDING BROCKTON.					\$ 4,438		
AVERAGE TAX BILL RANK IS BASED ON 338 OF THE 351 CITIES AND TOWNS THAT HAVE REPORTED							
Data supplied by Massachusetts Department of Revenue							

**CITY OF BROCKTON
BOARD OF ASSESSORS
TOTAL TAXABLE VALUE**

YEAR	TOTAL VALUE	PCT. CHANGE
2000	3,176,017,855	7.55%
2001	3,459,172,040	8.92%
2002	4,341,613,580	25.51%
2003	5,002,305,886	15.22%
2004	5,821,685,828	16.38%
2005	6,679,639,761	14.74%
2006	7,757,717,940	16.14%
2007	8,230,247,748	6.09%
2008	8,156,759,550	-0.89%
2009	7,174,223,590	-12.05%
2010	5,868,201,889	-18.20%
2011	5,629,195,195	-4.07%
2012	5,634,634,091	0.10%
2013	5,486,239,872	-2.63%
2014	5,362,178,891	2.26%
2015	5,462,968,131	1.88%
2016	6,104,303,935	11.74%

Percent Change of Total Taxable Value Since FY2000



Brockton

Assessment/Classification Report

Fiscal Year	<u>2016</u>	as of January 1, 2015			
PROPERTY TYPE	PctCnt	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	PERSONAL
101	16,532	3,387,641,490			
102	2,094	209,841,630			
Misc,103,109,140	76	24,021,510			
104	1,993	463,241,240			
105	1,501	391,609,320			
111-125	397	294,891,740			
130-32,106	1,438	43,856,400			
200-231	-				
300-393	1,471		867,697,872		
400-452	277			152,811,160	
Chap 61	-				
Chap 61A	15		113,005		
Chap 61B	7		2,686,718		
012-043	127	25,288,390	18,005,100		
501	612				24,835,770
502	961				55,552,590
503	-				
504,550-2	4				109,179,740
505	7				18,458,200
506	1				11,139,900
508	4				3,432,160
Sub-Total	27,517	4,840,391,720	888,502,695	152,811,160	222,598,360
Real & Personal Exempt Value		6,104,303,935			
		1,060,060,400			

Value Comparison between FY2016 and FY 2015

Fiscal Year	2015	Percent	2016	Pct	Percent
Property Type		of TTL Value		Chg	of TTL Value
101-Single Family	3,023,469,320		3,387,641,490	12.04%	
102-Condominium	176,119,630		209,841,630	19.15%	
104-Two Family	367,139,670		463,241,240	26.18%	
105-Three Family	304,738,800		391,609,320	28.51%	
013-Resd Mixed Use	25,635,280		25,288,390	-1.35%	
109-Multi Hses + misc	21,174,360		24,021,510	13.45%	
Apts 4+ Units	259,539,940		294,891,740	13.62%	
Resd Land	45,570,010		43,856,400	-3.76%	
Ttl Residential	4,223,387,010	77.31%	4,840,391,720	14.61%	79.29%
300-Commercial	862,811,364		867,697,872	0.57%	
031-Commercial Mixed	18,269,400		18,005,100	-1.45%	
Chapter Land	3,011,247		2,799,723	-7.02%	
Ttl Commercial	884,092,011	16.18%	888,502,695	0.50%	14.56%
400-Ttl Industries	159,914,300	2.93%	152,811,160	-4.44%	2.50%
Ttl Personal Property	195,575,310	3.58%	222,598,360	13.82%	3.65%
Total Real Property	5,267,393,321		5,881,705,575	11.66%	
Total Taxable Property	5,462,968,631		6,104,303,935	11.74%	

CITY OF BROCKTON			
BOARD OF ASSESSORS			
TAX LEVY GROWTH			
		INCLUDING	
		2.5%	
YEAR	LEVY	INCREASE	NEW GROWTH
1981	52,997,765		
1982	45,048,100		
1983	38,290,885		
1984	36,023,034		
1985	37,168,643	900,576	245,033
1986	38,605,355	929,216	507,496
1987	41,148,803	965,134	1,578,314
1988	43,155,858	1,028,720	978,335
1989	45,020,578	1,078,896	785,824
1990	47,503,864	1,125,514	1,373,578
1991	49,402,790	1,187,597	711,329
1992	51,140,840	1,235,070	502,980
1993	52,907,525	1,278,521	473,213
1994	54,622,337	1,322,688	392,123
1995	56,369,298	1,365,558	381,404
1996	58,745,498	1,409,232	966,968
1997	61,088,264	1,468,637	874,129
1998	63,369,015	1,527,207	753,544
1999	65,844,058	1,584,225	890,818
2000	68,233,483	1,646,101	743,324
2001	70,513,340	1,705,837	574,020
2002	73,993,881	1,762,834	1,717,707
2003	77,162,855	1,849,847	1,319,127
2004	80,110,256	1,929,071	1,018,330
2005	83,169,795	2,002,756	1,056,783
2006	86,241,428	2,079,245	992,388
2007	89,559,914	2,156,036	1,162,450
2008	92,776,521	2,238,998	977,609
2009	96,443,017	2,319,413	1,347,083
2010	99,864,769	2,411,075	1,010,677
2011	103,342,047	2,496,619	980,659
2012	108,261,967	2,583,551	2,336,369
2013	112,506,174	1,706,549	1,537,658
2014	116,744,636	2,812,654	1,425,808
2015	118,661,379	500,000	1,416,743
2016*	124,534,892	2,935,074	2,938,438
	TOTAL	53,542,453	33,970,261

Levy Limit FY16: **\$127,045,434.**

Actual levy: **\$124,534,892**

City left **\$2,510,542** on the table.

City of Brockton
Board of Assessors
Levy Percent by Class

YEAR	CIP PCT	RES PCT	FACTOR	AVERAGE S/F INCR.	AVERAGE C/I INCR.
2000	36.1	63.9	1.37000	21.56	107.53
2001	35.4	64.6	1.50000	131.23	156.28
2002	34.9	65.1	1.67000	99.81	213.59
2003	32.6	67.4	1.70000	136.26	(203.52)
2004	29.5	70.5	1.70000	151.90	(471.52)
2005	29.0	71.0	1.72000	98.70	406.37
2006	28.6	71.4	1.70000	94.22	69.25
2007	27.7	72.3	1.70000	84.28	357.15
2008	30.96	69.04	1.70000	(80.48)	(166.89)
2009	33.8	66.2	1.70000	(22.43)	321.80
2010	37.19	62.81	1.66000	51.97	969.47
2011	34.63	65.37	1.61000	227.98	(23.00)
2012	34.61	65.39	1.56000	150.58	(172.03)
2013	35.97	64.03	1.57000	(3.59)	451.82
2014	35.88	64.12	1.56000	137.73	393.92
2015	35.40	64.60	1.56000	37.87	59.14

FY16 New Growth

CATEGORY	NEW GROWTH VALUATION	TAX LEVY GROWTH
Residential	\$43,404,888	\$787,799
Commercial	\$12,247,329	\$414,940
Industrial	\$549,360	\$18,612
Personal Property	\$50,681,460	\$1,717,088
Total All Classes	\$106,883,037	\$2,938,439

THE COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF REVENUE
FISCAL 2016 TAX LEVY LIMITATION FOR
BROCKTON
FOR BUDGET PLANNING PURPOSES

I. TO CALCULATE THE FY 2015 LEVY LIMIT

A. FY 2014 Levy Limit	<u>116,744,636</u>
A1. ADD Amended FY 2014 Growth	<u>0</u>
B. ADD (IA + IA1) * 2.6%	<u>2,918,616</u>
C. ADD FY 2015 New Growth	<u>1,416,743</u>
C1. ADD FY 2016 New Growth Adjustment	<u>0</u>
D. ADD FY 2015 Override	<u>0</u>
E. FY 2015 Subtotal	<u>121,079,995</u>
F. FY 2015 Levy Ceiling	<u>136,574,203</u>

I. ~~121,079,995~~
FY 2015 Levy Limit

II. TO CALCULATE THE FY 2016 LEVY LIMIT

A. FY 2016 Levy Limit from I.	<u>121,079,995</u>
A1. ADD Amended FY 2015 Growth	<u>0</u>
B. ADD (IIA + IIA1) * 2.6%	<u>3,027,000</u>
C. ADD FY 2016 New Growth	<u>2,938,439</u>
C1. ADD FY 2016 New Growth Adjustment	<u>0</u>
D. ADD FY 2016 Override	<u>0</u>
E. FY 2016 Subtotal	<u>127,045,434</u>
F. FY 2016 Levy Ceiling	<u>152,607,598</u>

II. ~~127,045,434~~
FY 2016 Levy Limit

III. TO CALCULATE THE FY 2016 MAXIMUM ALLOWABLE LEVY

A. FY 2016 Levy Limit from II.	<u>127,045,434</u>
B. FY 2016 Debt Exclusion(s)	<u>0</u>
C. FY 2016 Capital Expenditure Exclusion(s)	<u>0</u>
D. FY 2016 Stabilization Fund Override	<u>0</u>
E. FY 2016 Other Adjustment	<u>0</u>
F. FY 2016 Water / Sewer	<u>0</u>
G. FY 2016 Maximum Allowable Levy	<u>127,045,434</u>

NOTE : The information is preliminary and is subject to change.

City of Brockton FY 2016

Single Family Tax Bill at Various Factors

	FACTOR	TAX RATE	MEDIAN SINGLE		CHANGE 15V16
			VALUE FY2016	VALUE FY2015	
	SINGLE FAMILY VALUE-		193,900	171,500	22,400
	1.00	20.40	3,955.56	3,112.73	842.43
	1.50	17.74	3,439.79	3,112.73	327.06
	1.51	17.69	3,430.09	3,112.73	317.36
	1.52	17.63	3,418.46	3,112.73	305.73
	1.53	17.58	3,408.76	3,112.73	296.03
	1.54	17.53	3,399.07	3,112.73	286.34
	1.55	17.47	3,387.43	3,112.73	274.70
LAST YEAR	→ 1.56	17.42	3,377.74	3,112.73	265.01
	1.57	17.37	3,368.04	3,112.73	255.31
	1.58	17.32	3,358.35	3,112.73	245.62
	1.59	17.26	3,346.71	3,112.73	233.98
	1.60	17.21	3,337.02	3,112.73	224.29
	1.61	17.15	3,325.39	3,112.73	212.65
	1.62	17.10	3,315.69	3,112.73	202.96
	1.63	17.05	3,306.00	3,112.73	193.27
	1.64	16.99	3,294.36	3,112.73	181.63
	1.65	16.94	3,284.67	3,112.73	171.94

City of Brockton FY 2016

Commercial / Industrial Tax Bill at Various Factors

			FY16	MEDIAN	FY15	2820	INCREASE
	FACTOR	TAX RATE	231500	<-VALUE->	228680		(DECREASE)
	1.00	20.40	4722.60		7747.68		-3025.08
	1.50	30.60	7083.90		7747.68		-663.78
	1.51	30.81	7132.52		7747.68		-615.17
	1.52	31.01	7178.82		7747.68		-568.87
	1.53	31.22	7227.43		7747.68		-520.25
	1.54	31.42	7273.73		7747.68		-473.95
	1.55	31.62	7320.03		7747.68		-427.65
LAST YEAR →	1.56	31.83	7368.65		7747.68		-379.04
	1.57	32.03	7414.95		7747.68		-332.74
	1.58	32.24	7463.56		7747.68		-284.12
	1.59	32.44	7509.86		7747.68		-237.82
	1.60	32.64	7556.16		7747.68		-191.52
	1.61	32.85	7604.78		7747.68		-142.91
	1.62	33.05	7651.08		7747.68		-96.61
	1.63	33.26	7699.69		7747.68		-47.99
	1.64	33.46	7745.99		7747.68		-1.69
	1.65	33.66	7792.29		7747.68		44.61

PROPOSITION 2½

1.0 OVERVIEW AND DEFINITIONS

1.1 Introduction

Proposition 2½ is a voter initiative law that limits the property tax levy of cities and towns enacted in the 1980 state election. It took effect in fiscal year 1982.

1.2 Definitions

1.2.1 Levy

The property tax levy is the revenue a community raises through real and personal property taxes each fiscal year when it sets its tax rate. The property tax levy is usually the largest source of revenue cities and towns have to fund their annual budgets.

1.2.2 Levy Limit

The levy limit is the maximum dollar amount a city or town can levy in a given fiscal year. It defines the maximum amount of property tax revenue a community will ordinarily have to support its annual budget and is the primary limitation established by Proposition 2½.

1.2.3 Levy Ceiling

The levy ceiling is the maximum amount the levy limit may be in a given fiscal year. It is a constraint on the size of the annual levy limit and is a secondary limitation established by Proposition 2½.

1.3 Application of Proposition 2½ Limits

- The property tax levy cannot exceed the levy limit for the fiscal year.
- The levy limit cannot exceed the levy ceiling for the fiscal year.

1.4 Department of Revenue's Role

The Department of Revenue (DOR) determines the annual levy limit and ceiling for each city or town and ensures the tax levy fixed by the setting of the tax rate complies with Proposition 2½.

2.0 ANNUAL LEVY LIMIT

2.1 Definition

The levy limit is the maximum dollar amount a city or town can ordinarily levy in any given fiscal year.

2.2 Calculation

2.2.1 Levy Limit Base

The levy limit for any given fiscal year is based on the previous year's levy limit and therefore, is a historic figure. The prior year's limit, not the actual levy, is the base for calculating the levy limit.

2.2.2 Annual Increases

The previous year's levy limit increases annually by two factors:

- Automatic 2.5 percent.
- New growth.

2.2.3 Preliminary Levy Limit

The formula for calculating the preliminary levy limit for any given fiscal year is the prior year's levy limit, plus 2.5 percent of that limit, plus new growth.

$$\begin{array}{c} \text{Annual Levy Limit Formula} \\ \text{Prior FY Levy Limit} \\ + \\ [.025 \times \text{Prior FY Levy Limit}] + \text{New Growth} \end{array}$$

This subtotal is then compared to the levy ceiling to determine the final levy limit for the fiscal year. See Section 4.3 below.

3.0 NEW GROWTH FACTOR

3.1 Definition

New growth is a dollar increase in the annual levy limit that reflects additions to the community's tax base since last fiscal year. Proposition 2½ annually increases the levy limit so that cities and towns can raise additional taxes to meet service demands due to new development.

3.2 Calculation

The formula for calculating the new growth factor for any given fiscal year is the previous year's tax rate multiplied by allowable increases in the current year's assessed valuations of real estate parcels and personal property items over the prior year's assessed valuations.

$$\begin{array}{c} \text{New Growth Factor Formula} \\ \text{Prior FY Tax Rate} \\ \times \\ [\text{Current FY Assessed Valuation} - \text{Prior FY Assessed Valuation of Parcel/Item}] \end{array}$$

ANNUAL LEVY CEILING

4.1 Definition

The levy ceiling is the maximum dollar amount the levy limit may be in any given fiscal year.

4.2 Calculation

The formula for calculating the levy ceiling in any given fiscal year is the total assessed valuation of the community's taxable real and personal property for the fiscal year multiplied by 2.5 percent.

$$\begin{array}{c} \text{Annual Levy Ceiling Formula} \\ \text{Total Assessed Valuation} \times .025 \end{array}$$

4.3 Final Levy Limit Determination

The final step in determining the new levy limit is to compare the subtotal that results from increasing the prior year's levy limit by the annual 2.5 percent and new growth factors to the year's levy ceiling. The new levy limit is the lesser of the subtotal or ceiling.

4.3.1 Subtotal Below Levy Ceiling

The subtotal is the new levy limit if it is below, or at most equal to, the levy ceiling. The subtotal ordinarily is less than the levy ceiling and therefore, is the levy limit in almost all cases.

Example

Last year's levy limit was \$100 million. That \$100 million base is first increased by 2.5%, which equals \$2.5 million. The new growth factor is then added, which for illustration purposes is \$2.5 million. Adding the \$100 million prior year levy limit base + \$2.5 million automatic 2.5% increase + \$2.5 million new growth factor arrives at a subtotal of \$105 million.

The assessed valuation of the community this year is \$10 billion. Multiplying that amount by 2.5% equals a levy ceiling of \$250 million. The subtotal of \$105 million is below the levy ceiling and therefore, the community's levy limit is \$105 million for this year.

4.3.1 Subtotal Above Levy Ceiling

The levy ceiling is the new levy limit if the subtotal exceeds the levy ceiling. The total assessed valuation of a community's tax base and therefore, the levy ceiling generally increases over time at a higher rate than the annual levy limit as properties are added to or removed from the tax roll and revalued to reflect current market at least once every three years. This is almost always more than sufficient to accommodate the annual 2.5 percent and new growth increases.

Example

Again, the assessed valuation of the community this year is \$10 billion. Multiplying that amount by 2.5% equals a levy ceiling of \$250 million. If the subtotal is \$265 million, the community's levy limit is \$250 million for this year.